

## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

## CURRENT REPORT

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

July 19, 2000 (July 14, 2000)

Date of Report (Date of earliest event reported)

FLOWSERVE CORPORATION

(Exact name of registrant as specified in its charter)

NEW YORK	1-13179	31-0267900
(State or other jurisdiction of incorporation or organization)	(Commission file number)	(IRS Employer identification no.)

222 W. LAS COLINAS BLVD., SUITE 1500  
IRVING, TEXAS 75039

(Address and zip code of principal executive offices)

(972) 443-6500

(Registrant's telephone number, including area code)

## ITEM 5. OTHER EVENTS

## (a) Amendment to Purchase Agreement

On February 9, 2000, Flowserve Corporation ("Flowserve") and Flowserve RED Corporation, a wholly owned subsidiary of Flowserve (collectively, the "Buyers"), entered into a definitive purchase agreement (the "Purchase Agreement") with Ingersoll-Rand Corporation ("Ingersoll-Rand"), and IDP Acquisition, LLC (collectively, the "Sellers"), whereby the Buyers will purchase 100% of the partnership interests in Ingersoll-Dresser Pump Company, a Delaware partnership ("IDP") for \$775 million in cash (the "Acquisition"). The Buyers and Sellers entered into Amendment No.1 to the Purchase Agreement as of July 14, 2000 (the "Amendment"). A copy of the Amendment is set forth as Exhibit 2.1 to this Current Report on Form 8-K and is hereby incorporated by reference herein. The material terms of the Amendment are summarized as follows.

## (i) Conditions to the Acquisition are amended to the following effect:

- o In lieu of providing bank letters of credit, Flowserve shall provide unsecured corporate guarantees in favor of Ingersoll-Rand and IDP Acquisition, LLC to guarantee certain obligations of Ingersoll-Rand and IDP Acquisition, LLC under certain credit support instruments issued on behalf of IDP and its subsidiaries and outstanding and unexpired as of the closing date of the Acquisition and shall assume all credit support instruments issued by any member of the IDP group outstanding and unexpired as of the closing date of the Acquisition; and
- o Requirements for IDP and its subsidiaries to meet certain EBITDA targets are deleted.

## (ii) Provisions relating to employee benefit matters are amended to the following effect:

- o Ingersoll-Rand has agreed to retain liability for certain enhanced pension benefits payable to transferred employees under such defined benefit pension plans that may be triggered by plant shutdowns occurring until the first anniversary

of the closing date of the Acquisition, and has agreed to grant one

year's service credit for purposes of determining accrued benefits under such defined benefit pension plans to transferred employees at certain facilities.

(iii) The following provisions are added:

- o Ingersoll-Rand will provide certain transitional services at no charge to the Buyers from the closing date of the Acquisition through December 31, 2000;
- o The Sellers agree to reimburse the Buyers for up to \$5,000,000 (or \$3,000,000 if the August grace period referred to below is utilized and the closing occurs after August 13, 2000) incurred in connection with certain environmental problems identified by Flowserve's consultants;
- o on the closing date of the Acquisition, Flowserve or one of its designated subsidiaries will directly purchase the shares of certain subsidiaries of Ingersoll-Rand, IDP Acquisition, LLC and IDP; and
- o immediately before the consummation of the Acquisition, the Sellers will cause IDP to distribute all receivables (except for the \$3 million loan Ingersoll-Rand owes to IDP Austrian subsidiary) held by subsidiaries of IDP which are owed by Ingersoll-Rand in the form of capital reductions of Ingersoll-Rand's capital account in IDP. To the extent that the sum of cash retained by the non-U.S. Subsidiaries of IDP and the principal amount of the loan Ingersoll-Rand owes to the IDP Austrian subsidiary exceeds or falls below \$25 million as of the closing date, the amount of any such excess or shortfall will be paid by Flowserve or Ingersoll-Rand to the other party. In any event, Ingersoll-Rand will repay the loan it owes to the IDP Austrian subsidiary on the closing date.

(iv) Obligations of the parties are amended to the following effect:

- o Buyers agreed to take all steps necessary to obtain approval of the Department of Justice with respect to the Acquisition.
- o If, all conditions to closing have been satisfied but the Buyers do not have sufficient funds to complete the Acquisition, the Buyers have the right to extend the closing date of the Acquisition until financing for such funds has been obtained (but not later than October 31, 2000). If the Buyers use the extension period, the Buyers will have to pay interest on the purchase price to the sellers during the extension period. The Buyers, however, will be granted a four week grace period during this extension period when such interest will not accrue and, in addition, such interest shall not accrue, during the month of August 2000 and during that month, if applicable, the four week grace period mentioned above will be tolled.

(v) Provisions relating to termination of the Purchase Agreement are amended to the following effect:

- o The Purchase Agreement may be terminated if the closing of the Acquisition has not occurred by October 31, 2000 (unless the failure to close is due to the failure of the party seeking to terminate to fulfill any of its Purchase Agreement obligations).

(b) Financing Transactions

(i) High Yield Offering

Flowserve and a wholly owned Dutch subsidiary that is in the process of being formed, Flowserve Finance B.V. ("Flowserve Finance"), intend to offer the dollar equivalent of \$375 million in aggregate principal amount of senior subordinated notes due 2010 (the "Notes") pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended (the "Securities Act").

A portion of the aggregate principal amount of the Notes will be denominated in U.S. dollars and will be senior unsecured subordinated obligations of Flowserve, which will be fully and unconditionally guaranteed by Flowserve's material domestic subsidiaries, Flowserve Finance and Flowserve International Limited ("Flowserve International"), a U.K. subsidiary of Flowserve.

The remaining portion of the aggregate principal amount of senior subordinated notes will be denominated in euros and will be senior unsecured subordinated obligations of Flowserve Finance, fully and unconditionally guaranteed by Flowserve, Flowserve International and Flowserve's material domestic subsidiaries, ("Subsidiary Guarantors").

The Notes have not been registered under the Securities Act and may not be offered or sold in the United States absent

2

3

registration or an applicable exemption from registration under the Securities Act.

(ii) Senior Credit Facilities

At the closing of the Note Offerings, Flowserve also intends to enter into new senior credit facilities (the "Senior Credit Facilities") which consist of a term loan A facility of \$275.0 million ("Term Loan A"), a term loan B facility of \$475.0 million ("Term Loan B") and a revolving credit facility of \$300.0 million (the "Revolving Credit Facility").

The obligations under the Senior Credit Facilities will be unconditionally guaranteed by the Subsidiary Guarantors.

We expect to use the proceeds from the Term Loan A and Term Loan B facilities, together with the proceeds of the offerings of the Notes to fund the Acquisition, refinance existing indebtedness of Flowserve and pay related fees and expenses.

(c) Agreement in principle with the U.S. Department of Justice

In connection with the Acquisition, Flowserve has reached an agreement in principle with the U.S. Department of Justice to resolve its antitrust concerns related to the Acquisition. This agreement in principle includes a post-closing divestiture of certain product lines, a manufacturing facility and two service and repair centers. The press release announcing Flowserve's reaching an agreement with the Department of Justice is set forth in Exhibit 99.1 to this Current Report on Form 8-K and is hereby incorporated by reference herein.

Pursuant to this agreement in principle, Flowserve has committed to divest the following assets:

- o certain designated models of highly engineered pumps in four product lines serving the oil refinery and power industry markets;
- o Flowserve's Tulsa manufacturing facility; and
- o on-site plant and equipment at two IDP service and repair centers located in the United States.

In the divestitures of product lines, Flowserve will be able to retain certain overlapping models in all of the product lines. In addition, Flowserve will be required to grant the purchaser of the divested product line(s) the exclusive right to sell such product line(s) for installation within the United States and a non-exclusive right to sell such product line(s) for installation outside the United States, except for special provisions permitting sales in the U.S. to two major alliance customers of equipment and parts on certain product lines for specified periods of time from the date of entry of the final consent decree.

With respect to the divestiture of the Tulsa manufacturing facility, Flowserve must leave all production equipment and related assets used to manufacture the pump product lines to be divested.

Flowserve must make the above divestitures within 150 calendar days after the filing of the consent decree, subject to one 30-day extension by the Department of Justice, in its sole discretion. If Flowserve has not divested these assets within that time period, a trustee will be appointed by the federal district court, who shall have the sole right to divest the assets following

such appointment.

The above divestitures would affect less than three percent of the combined 1999 revenues of Flowserve and IDP. In the opinion of management of Flowserve, the impact of these divestitures is not material to its overall pro forma financial position or results of operations.

Flowserve has negotiated a draft consent decree that implements the terms of its agreement in principle with the Department of Justice. Flowserve expects the consent decree to be finalized, signed and filed with the U.S. District Court for the District of Columbia by the end of July, 2000.

3

4

(d) Unaudited Pro Forma Consolidated Financial Statements

The following unaudited pro forma consolidated financial statements (the "Unaudited Pro Forma Financial Statements") are based on the historical consolidated financial statements of Flowserve, Innovative Valve Technologies, Inc. ("Invatec") (which Flowserve acquired on January 13, 2000) and IDP, adjusted to give effect to the transactions described herein.

The Unaudited Pro Forma Consolidated Statements of Operations for the year ended December 31, 1999, twelve months ended March 31, 2000 ("LTM March 31, 2000") and three months ended March 31, 1999 and March 31, 2000, respectively, give effect to the Acquisition, the financing transactions described in Section 1(b) above of this Report on Form 8-K and the application of the proceeds therefrom (collectively, the "Transactions") and the acquisition of Invatec as if they had occurred on January 1, 1999. The Unaudited Pro Forma Consolidated Balance Sheet gives effect to the Transactions as if they had occurred as of March 31, 2000.

Information for LTM March 31, 2000 represents the sum of the amounts set forth in the unaudited pro forma condensed consolidated statement of income for the year ended December 31, 1999 and the amounts set forth in the unaudited pro forma condensed consolidated statement of income for the three months ended March 31, 2000, less the amounts set forth in the unaudited pro forma condensed consolidated statement of income for the three months ended March 31, 1999.

The Transactions and the acquisition of Invatec and the related adjustments are described in the accompanying notes. The pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable. In our opinion, all adjustments that are necessary to present fairly the pro forma data have been made. The Unaudited Pro Forma Financial Statements have not been reviewed by the SEC and while we believe that such information is in accordance with the applicable rules of the SEC and related interpretations, there can be no assurance that the SEC may not challenge our basis of presentation and certain adjustments included herein. The Unaudited Pro Forma Financial Statements do not purport to represent what our results of operations or financial condition would actually have been had the Transactions in fact occurred on such dates or to project our results of operations or financial condition for any future period or date.

The unaudited pro forma consolidated financial statements do not include the impact of any post-closing regulatory divestitures as required by the U.S. Department of Justice in connection with the Acquisition to address its antitrust concerns primarily related to sales of highly engineered pumps for installation in oil refineries and power generation facilities in the United States. These divestitures would affect less than three percent of the combined 1999 revenues of Flowserve and IDP. In the opinion of management, the impact of these divestiture actions is not material to our overall pro forma financial position or results of operations.

The unaudited pro forma information with respect to the Invatec acquisition and the Acquisition is based on the historical financial statements of Flowserve, Invatec and IDP. The Invatec acquisition and the Acquisition have been accounted for under the purchase method of accounting. The total purchase price for the Invatec acquisition and the Acquisition has been allocated to the tangible and identifiable intangible assets and liabilities of the acquired businesses based upon our preliminary estimates of their fair value with the remainder allocated to goodwill. The purchase price allocations for the Invatec acquisition and the Acquisition are subject to refinement when additional

information concerning asset and liability valuations is obtained.

The historical consolidated financial statements of Flowserve, Invatec and IDP were prepared in accordance with accounting principles generally accepted in the United States. In addition, because Flowserve is, and prior to its acquisition by Flowserve, Invatec was, a publicly traded company, Flowserve's and Invatec's historical consolidated financial statements comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the related rules and regulations adopted by the SEC. IDP's historical consolidated

4

statements have not been prepared with the intention of being in compliance with such accounting requirements and are not in compliance therewith as the consolidated financial statements are stated at historical cost and do not give effect to push-down accounting relating to Ingersoll-Rand's acquisition of Halliburton Company's 49% interest in IDP on December 30, 1999. Giving effect to "push-down" accounting would have resulted in allocating the purchase price paid by Ingersoll-Rand for Halliburton's interest in IDP to the fair value of the purchased assets and liabilities with the excess of the fair value allocated to goodwill. Had IDP's historical financial statements given effect to "push-down" accounting, its consolidated balance sheet as of March 31, 2000 would have reflected property, plant and equipment, intangible assets and goodwill at \$159.1 million, \$45.4 million and \$188.4 million, respectively. In addition, our pro forma depreciation and amortization related to property, plant and equipment, intangible assets and goodwill for the twelve months ended March 31, 2000 would have been \$7.4 million, \$9.1 million and \$9.3 million, instead of \$5.9 million, \$8.6 million and \$8.2 million, respectively. Because our revised pro forma adjustments would offset the IDP adjustments, there would have been no impact on our pro forma consolidated balance sheet or our pro forma consolidated statement of operations.

Consolidated financial statements for IDP and pro forma financial information complying as to form with the applicable accounting requirements of the Securities Act and the Exchange Act and the related rules and regulations adopted by the SEC will be filed under Form 8-K within the time period specified by Item 7 of Form 8-K, following consummation of the Acquisition.

5

6

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS  
YEAR ENDED DECEMBER 31, 1999

	HISTORICAL		INVATEC	PRO	HISTORICAL	IDP	
	FLOWERVE	INVATEC	ACQUISITION	FORMA	IDP	ACQUISITION/	PRO FORMA
	-----	-----	ADJUSTMENTS (1)	FLOWERVE/ INVATEC	-----	FINANCING ADJUSTMENTS (1)	CONSOLIDATED
	-----	-----	-----	-----	-----	-----	-----
	(DOLLARS IN THOUSANDS)						
Net sales.....	\$1,061,272	\$160,991	\$ --	\$1,222,263	\$838,390	\$ --	\$2,060,653
Cost of sales.....	697,928	115,956	--	813,884	610,745	(2,000) (f)	1,428,539
						5,910 (g)	
Gross profit.....	363,344	45,035	--	408,379	227,645	(3,910)	632,114
Selling and administrative							
expense.....	275,884	40,368	(1,554) (a)	314,642	162,047	(3,600) (h)	485,695
			(56) (b)			(4,200) (i)	
						8,642 (j)	
						8,164 (k)	
Research, engineering and							
development expense.....	25,645	--	--	25,645	2,984	--	28,629
Merger transaction and							
restructuring							
expense (2).....	15,860	--	--	15,860	200	--	16,060
Merger integration							
expense (3).....	14,207	--	--	14,207	--	--	14,207
Operating income.....	31,748	4,667	1,610	38,025	62,414	(12,916)	87,523
Interest expense.....	15,504	12,724	(6,928) (c)	21,300	1,362	94,025 (l)	116,687
Loss on assets held for							
sale.....	--	3,810	--	3,810	--	--	3,810
Impairment of goodwill.....	--	39,073	(39,073) (d)	--	--	--	--
Other income, net.....	(2,001)	(174)	--	(2,175)	(7,446)	--	(9,621)
Earnings (loss) before income							
taxes.....	18,245	(50,766)	47,611	15,090	68,498	(106,941)	(23,353)
Provision (benefit) for							
income taxes.....	6,068	6,372	(7,234) (e)	5,206	18,965	(32,578) (m)	(8,407)

Net income (loss).....	\$ 12,177	\$ (57,138)	\$ 54,845	\$ 9,884	\$ 49,533	\$ (74,363)	\$ (14,946)
OTHER FINANCIAL DATA:							
EBITDA(n).....	\$ 113,114	\$ 11,484	\$ 1,554	\$ 126,152	\$ 87,065	\$ 9,800	\$ 223,017
Adjusted EBITDA(o).....							267,117
Depreciation and amortization.....	39,599	4,851	(56)	44,394	18,251	22,716	85,361
Cash interest expense(p).....							116,687

The accompanying notes are an integral part of the unaudited pro forma consolidated financial statements.

6

7

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS  
THREE MONTHS ENDED MARCH 31, 1999

	HISTORICAL		INVATEC	PRO FORMA	HISTORICAL	IDP	PRO FORMA
	FLOWSERVE	INVATEC	ACQUISITION	FLOWSERVE/ INVATEC	IDP	ACQUISITION/ FINANCING	CONSOLIDATED
	-----	-----	ADJUSTMENTS	-----	-----	ADJUSTMENTS (1)	-----
	(DOLLARS IN THOUSANDS)						
Net sales.....	\$269,387	\$43,931		\$313,318	\$192,200	\$ --	\$505,518
Cost of sales.....	172,597	30,803		203,400	146,254	(500) (f)	350,632
						1,478 (g)	
Gross profit.....	96,790	13,128	--	109,918	45,946	(978)	154,886
Selling and administrative expense.....	67,110	11,005	(14) (b)	78,101	37,161	(900) (h)	118,621
						58 (i)	
						2,160 (j)	
						2,041 (k)	
Research, engineering and development expense.....	6,872	--	--	6,872	724	--	7,596
Merger integration expense(3).....	3,432	--	--	3,432	--	--	3,432
Operating income.....	19,376	2,123	14	21,513	8,061	(4,337)	25,237
Interest expense.....	3,083	1,932	(1,732) (c)	3,283	414	25,475 (l)	29,172
Other (income) expense, net...	523	(38)	--	485	(1,468)	--	(983)
Earnings (loss) before income taxes.....	15,770	229	1,746	17,745	9,115	(29,812)	(2,952)
Provision (benefit) for income taxes.....	5,362	271	489 (e)	6,122	3,550	(10,735) (m)	(1,063)
Net income (loss).....	\$ 10,408	\$ (42)	\$ 1,257	\$ 11,623	\$ 5,565	\$ (19,077)	\$ (1,889)
OTHER FINANCIAL DATA:							
EBITDA(n).....							\$ 53,757
Adjusted EBITDA(o).....							64,782
Depreciation and amortization...							22,384
Cash interest expense(p).....							29,172

The accompanying notes are an integral part of the unaudited pro forma consolidated financial statements.

7

8

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS  
THREE MONTHS ENDED MARCH 31, 2000

	HISTORICAL		PRO FORMA	IDP	PRO FORMA
	FLOWSERVE (A)	IDP	FLOWSERVE/ INVATEC/IDP	ACQUISITION/FINANCING ADJUSTMENTS (1)	CONSOLIDATED
	-----	-----	-----	-----	-----
	(DOLLARS IN THOUSANDS)				
Net sales.....	\$285,309	\$174,932	\$460,241	\$ --	\$460,241
Cost of sales.....	186,080	131,707	317,787	(500) (f)	318,765
				1,478 (g)	
Gross profit.....	99,229	43,225	142,454	(978)	141,476
Selling and administrative expense.....	71,628	33,413	105,041	(900) (h)	108,897
				555 (i)	

				2,160 (j)	
				2,041 (k)	
Research, engineering and development expense...	6,155	645	6,800	--	6,800
	-----	-----	-----	-----	-----
Operating income.....	21,446	9,167	30,613	(4,834)	25,779
Interest expense.....	6,523	272	6,795	24,109	30,904
Other (income) expense, net.....	(3,217)	72	(3,145)	--	(3,145)
	-----	-----	-----	-----	-----
Earnings (loss) before income taxes.....	18,140	8,823	26,963	(28,943)	(1,980)
Provision (benefit) for income taxes.....	6,258	3,220	9,478	(10,191) (m)	(713)
	-----	-----	-----	-----	-----
Net income (loss).....	\$ 11,882	\$ 5,603	\$ 17,485	\$ (18,752)	\$ (1,267)
	=====	=====	=====	=====	=====
OTHER FINANCIAL DATA:					
EBITDA(n).....					\$ 47,636
Adjusted EBITDA(o).....					58,661
Depreciation and amortization.....					20,942
Cash interest expense(p)...					30,904

-----

(A) Includes the results of Invatec from January 13, 2000.

The accompanying notes are an integral part of the unaudited pro forma consolidated financial statements.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS  
TWELVE MONTHS ENDED MARCH 31, 2000

	FLOWSERVE (A)	IDP	PRO FORMA FLOWSERVE/ INVATEC/ IDP	IDP ACQUISITION/FINANCING ADJUSTMENTS (1)	PRO FORMA CONSOLIDATED
	-----	-----	-----	-----	-----
(DOLLARS IN THOUSANDS, EXCEPT RATIOS)					
Net sales.....	\$1,194,254	\$821,122	\$2,015,376	\$ --	\$2,015,376
Cost of sales.....	796,564	596,198	1,392,762	(2,000) (f)	1,396,672
	-----	-----	-----	5,910 (g)	-----
Gross profit.....	397,690	224,924	622,614	(3,910)	618,704
Selling and administrative expense.....	308,169	158,299	466,468	(3,600) (h)	475,971
				(3,703) (i)	
				8,642 (j)	
				8,164 (k)	
Research, engineering and development expense.....	24,928	2,905	27,833	--	27,833
Merger transaction and restructuring expense(2).....	15,860	200	16,060	--	16,060
Merger integration expense(3).....	10,775	--	10,775	--	10,775
	-----	-----	-----	-----	-----
Operating income.....	37,958	63,520	101,478	(13,413)	88,065
Interest expense.....	24,540	1,220	25,760	92,659 (l)	118,419
Loss on assets held for sale.....	3,810	--	3,810	--	3,810
Other income, net.....	(5,877)	(5,906)	(11,783)	--	(11,783)
	-----	-----	-----	-----	-----
Earnings (loss) before income taxes.....	15,485	68,206	83,691	(106,072)	(22,381)
Provision (benefit) for income taxes.....	5,342	18,635	23,977	(32,034) (m)	(8,057)
	-----	-----	-----	-----	-----

Net income (loss).....	\$ 10,143	\$ 49,571	\$ 59,714	\$ (74,038)	\$ (14,324)
	=====	=====	=====	=====	=====
OTHER FINANCIAL DATA:					
EBITDA(n).....	\$ 121,688	\$ 85,892	\$ 207,580	\$ 9,303	\$ 216,883
Adjusted EBITDA(o).....					260,983
Depreciation and amortization.....	43,484	17,719	61,203	22,716	83,919
Cash interest expense(p).....					118,419
Ratio of total net debt to Adjusted EBITDA.....					4.2x
Ratio of Adjusted EBITDA to cash interest expense.....					2.2x
Ratio of earnings to fixed charges(q).....					--

-----

(A) Represents Flowserve after giving pro forma effect to the acquisition of Invatec as though such acquisition had occurred on January 1, 1999.

The accompanying notes are an integral part of the unaudited pro forma consolidated financial statements.

#### NOTES TO UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

##### NOTE 1: PRO FORMA ADJUSTMENTS

The following pro forma adjustments have been applied to the accompanying historical statements of operations of Flowserve, Invatec and IDP to give effect to the Invatec acquisition and the Acquisition (see note 2 to the unaudited pro forma consolidated balance sheet) and the financing transactions as if they had all occurred on January 1, 1999.

- (a) Represents reduction in Invatec selling and administrative costs for non-recurring items associated with pre-acquisition bank fees and other credit facility related expenses.
- (b) Represents incremental decrease in annual goodwill amortization based on decrease of \$4.3 million of estimated goodwill originating from the Invatec acquisition and reduction of amortization period from 40 to 20 years.
- (c) Represents the net reduction in consolidated interest expense related to Invatec debt financing.
- (d) Represents reversal of Invatec goodwill impairment charge.
- (e) Represents income tax adjustments required to arrive at the expected pro forma effective tax rate of 34.5% after Flowserve's acquisition of Invatec.
- (f) Represents retiree pension and post-retirement benefits expense for IDP that, pursuant to the IDP purchase agreement, will be retained by Ingersoll-Rand, IDP's predecessor parent.
- (g) Represents increase in depreciation expense in cost of sales based on \$88.2 million estimated fair market value of property, plant and equipment over estimated useful lives of 3 to 40 years.  
This adjustment is based on a preliminary allocation of the purchase price for the Acquisition. The final allocation of the purchase price is contingent upon valuations that have not been completed. See note 2 to the unaudited pro forma consolidated balance sheet for further discussion on the purchase price allocations related to our recent acquisitions.
- (h) Represents the elimination of corporate overhead expenses allocated by Ingersoll-Rand to IDP. Pursuant to the IDP



purchase agreement, this allocation will be eliminated upon consummation of the Acquisition.

- (i) Represents the elimination of expense recorded by IDP related to a phantom stock incentive plan that will be eliminated upon consummation of the Acquisition.
- (j) Represents incremental increase in annual goodwill amortization based on \$345.7 million of estimated goodwill over an estimated useful life of 40 years related to the Acquisition.
- (k) Represents increase in amortization expense based on \$141.3 million estimated fair value of other intangible assets acquired over their estimated useful lives of approximately 17 years.

10

11

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED STATEMENT  
OF OPERATIONS -- (CONTINUED)

	PRO FORMA FOR YEAR ENDED DECEMBER 31, 1999	THREE MONTHS ENDED MARCH 31, 1999	THREE MONTHS ENDED MARCH 31, 2000	LTM MARCH 31, 2000
	-----	-----	-----	-----
	(DOLLARS IN MILLIONS)			
(1) Represents the following:				
Interest on Term Loan A (\$275.0 @ 9.4%).....	\$ 25.9	\$ 6.5	\$ 6.5	\$ 25.9
Interest on Term Loan B (\$475.0 @ 9.6%).....	45.8	11.5	11.5	45.8
Interest expense associated with note offerings (\$375.0 @ 12.0%).....	45.0	11.2	11.2	45.0
Letter of credit fee (\$110.0 @ 1.64% weighted average, including \$30.0 under the Revolving Credit Facility).....	1.8	0.4	0.4	1.8
	-----	-----	-----	-----
Cash interest expense.....	118.5	29.6	29.6	118.5
Non-cash increase in amortization associated with \$40.8 million in deferred financing costs incurred in connection with entering into the Senior Credit Facilities and issuing the notes offered by these offerings, amortized over terms ranging from 6 to 10 years. ....	5.1	1.3	1.3	5.1
	-----	-----	-----	-----
Sub-total interest expense.....	123.6	30.9	30.9	123.6
Elimination of interest and associated fees on borrowings to be repaid in connection with the financings.....	(29.6)	(5.4)	(6.8)	(31.0)
	-----	-----	-----	-----
Net Adjustment.....	\$ 94.0	\$25.5	\$24.1	\$ 92.6
	=====	=====	=====	=====

For each 0.125% change in the interest rates payable on the outstanding balance under the Senior Credit Facilities and the Notes annual interest expense would change by \$1.4 million before the effect of income taxes.

- (m) Represents income tax adjustment required to arrive at the expected pro forma effective tax rate of 36% and to provide U.S. taxes on IDP partnership earnings.
- (n) EBITDA means net income (loss) before interest, taxes, depreciation, amortization, other income, net (excluding commission and royalty income) and other non-recurring items.

For Flowserve, other non-recurring items consist of merger transaction and restructuring expense, merger integration expense and in the year ended December 31, 1999 and twelve months ended March 31, 2000, non-cash charges of \$5.8 million related to executive severance and facility closures and \$5.1 million related to inventory and fixed asset impairment.

For IDP, other non-recurring items consist of restructuring expense and in 1999, \$3.1 million of non-recurring consultant expense and \$0.9 million of severance expense. Other non-recurring items in the three month period ended March 31, 1999 and the twelve month period ended March 31, 2000 were \$1.8 million and \$2.4 million, respectively.

For Invatec, other non-recurring items in the year ended December 31, 1999 and twelve months ended March 31, 2000 included \$39.1 million of goodwill impairment, \$3.8 million of loss on assets held for sale and \$2.0 million of merger transaction costs.

11

12

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED STATEMENT  
OF OPERATIONS -- (CONTINUED)

- (o) Adjusted EBITDA represents EBITDA as adjusted to reflect certain other cost savings which have been specifically identified in connection with the Transactions and the acquisition of Invatec, but which are not included in EBITDA. Adjusted EBITDA was calculated as follows:

	PRO FORMA FOR YEAR ENDED DECEMBER 31, 1999	PRO FORMA THREE MONTHS ENDED MARCH 31, 1999	PRO FORMA THREE MONTHS ENDED MARCH 31, 2000	LTM MARCH 31, 2000
	-----	-----	-----	-----
	(DOLLARS IN MILLIONS)			
EBITDA, as defined.....	\$223.0	\$53.7	\$47.6	\$216.9
Salesforce reduction(1).....	13.6	3.4	3.4	13.6
Plant rationalization(2).....	16.1	4.0	4.0	16.1
Headquarters cost reduction(3)....	6.1	1.5	1.5	6.1
Invatec cost savings(4).....	8.3	2.2	2.2	8.3
	-----	-----	-----	-----
Adjusted EBITDA.....	\$267.1	\$64.8	\$58.7	\$261.0
	=====	=====	=====	=====

(1) Represents elimination of costs of overlapping salesforce coverage upon the closing of the Acquisition. At, or near, the closing date of the Acquisition, a reduction of approximately 150 full-time equivalent sales and sales support personnel will occur. The reduction of these 150 full-time equivalent sales and sales support personnel will result in estimated savings of \$13.6 million. In the twelve months after the closing of the Acquisition, Flowserve estimates that an additional reduction of approximately 150 full-time equivalent sale and sales support personnel will be made, resulting in estimated annualized cost savings of \$27.2 million by the end of 2001.

(2) Represents elimination of expenses of IDP relating to four plants and multiple service centers the closure of which is expected to be announced shortly after the closing of the Acquisition. The elimination of the four facilities and the service centers will result in estimated savings of \$16.1 million. In the twelve to eighteen months after the closing of the Acquisition, we estimate additional elimination of duplicative plant and service center expenses will result in annualized cost savings of \$25.0-\$45.0 million.

(3) Represents elimination of expenses as a result of the closure of IDP's corporate headquarters facility, at or near the closing date of the Acquisition, that will result in estimated savings of \$6.1 million. These cost reductions include facility costs, personnel reductions and other headquarters items that are duplicative of functions that Flowserve currently provides. In the next twelve months after the closing of the Acquisition, Flowserve estimates that savings will increase to \$14.0 million as we complete the integration of IDP into our business.

(4) Represents elimination of Invatec expenses upon closure or realignment of 19 locations (of which 13 have been completed) and reduction of approximately 100 personnel (of whom 75 have been terminated) in 2000.

While we consider the numerical specificity of the foregoing preliminary estimates and anticipated cost savings to be reasonable, these estimates and savings are based on a number of assumptions and estimates that are subject to inherent uncertainty. The actual cost savings could vary from these estimates. We will incur significant cash integration costs to achieve these cost savings.

- (p) Cash interest expense is total interest expense less amortization of deferred financing costs.

- (q) For purposes of determining the ratio of earnings to fixed charges, earnings consist of income (loss) from continuing operations before income taxes, plus fixed charges. Fixed charges consist of interest expense on all indebtedness, amortization of deferred financing fees and the estimated interest portion of rental expense estimated to be attributable to interest. For the twelve months

ended March 31, 2000, earnings were insufficient to cover fixed charges by \$21.6 million.

12

13

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED STATEMENT  
OF OPERATIONS -- (CONTINUED)

NOTE 2: MERGER TRANSACTION AND RESTRUCTURING EXPENSE

Represents non-recurring merger transaction and restructuring expenses. In 1999, \$15.9 million for Flowserve represents facility closure and personnel reductions of 9% to reduce excess capacity and \$0.2 million for IDP relates to additional costs incurred in regards to a foundry closure initiated in 1996.

NOTE 3: MERGER INTEGRATION EXPENSES

Represents non-recurring expenses related to the merger of BW/IP, Inc. and Durco International Inc. in order to achieve the planned merger synergies. These expenses were principally for costs for consultants and costs related to integration team members including salaries, benefits and training.

13

14

UNAUDITED PRO FORMA  
CONSOLIDATED BALANCE SHEET

AS OF MARCH 31, 2000

ASSETS

	HISTORICAL		PRO FORMA	PRO FORMA
	FLOWERVE	IDP (1)	ADJUSTMENTS (2, 3)	CONSOLIDATED
	-----	-----	-----	-----
	(DOLLARS IN THOUSANDS)			
Current assets:				
Cash and cash equivalents.....	\$ 23,935	\$ 29,995	\$ (30,208) (a)	\$ 23,722
Accounts receivable, net.....	233,364	174,389	--	407,753
Inventories.....	208,475	109,872	--	318,347
Prepays and other current assets.....	42,701	31,937	--	74,638
	-----	-----	-----	-----
Total current assets.....	508,475	346,193	(30,208)	824,460
Property, plant and equipment, net.....	223,450	99,382	88,170 (b)	411,002
Intangibles assets, net.....	149,719	9,113	486,980 (c)	645,812
Other assets.....	83,369	16,872	58,863 (d)	159,104
	-----	-----	-----	-----
Total assets.....	\$965,013	\$471,560	\$ 603,805	\$2,040,378
	=====	=====	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:				
Current portion of long-term debt.....	\$ 1,488	\$ 477	\$ (1,488) (e)	\$ 477
Accounts and notes payable.....	80,424	167,830	(1,459) (e)	246,795
Income taxes.....	977	--	--	977
Accrued expenses and other liabilities.....	107,820	741	57,664 (f)	166,225
	-----	-----	-----	-----
Total current liabilities.....	190,709	169,048	54,717	414,474
	-----	-----	-----	-----
Noncurrent liabilities.....	--	96	(96) (g)	--
	-----	-----	-----	-----
Post-retirement benefits and deferred items.....	140,946	75,010	(23,500) (h)	192,456
	-----	-----	-----	-----
Long-term debt due after one year.....	322,266	--	802,734 (e)	1,125,000
	-----	-----	-----	-----

Shareholders' equity:

Serial preferred stock				
Common stock.....	51,856	95,747	(95,747)	51,856
Capital in excess of par value.....	67,916	--	--	67,916
Retained earnings.....	356,136	186,869	(189,513)	353,492
Treasury stock, at cost.....	(93,212)	--	--	(93,212)
Accumulated other comprehensive income.....	(71,604)	(55,210)	55,210	(71,604)
	-----	-----	-----	-----
Total shareholders' equity.....	311,092	227,406	(230,050) (i)	308,448
	-----	-----	-----	-----
Total liabilities and shareholders' equity.....	\$965,013	\$471,560	\$ 603,805	\$2,040,378
	=====	=====	=====	=====

The accompanying notes are an integral part of the unaudited pro forma consolidated financial statements.

14

15

NOTES TO UNAUDITED PRO FORMA  
CONSOLIDATED BALANCE SHEET

The following pro forma adjustments have been applied to the accompanying historical balance sheets of Flowserve and IDP to give effect to the Acquisition and the financing transactions as if they had occurred on March 31, 2000.

NOTE 1. The historical balance sheet of IDP does not reflect the effects of Ingersoll-Rand's acquisition of the 49% minority interest in IDP.

NOTE 2. ACQUISITIONS

On February 9, 2000 Flowserve entered into an acquisition agreement with Ingersoll-Rand to acquire IDP, which was amended on July 14, 2000. The Acquisition will be accounted for as a purchase, with the excess of the purchase price over the fair value of net assets acquired allocated to goodwill.

A summary of the purchase price and related preliminary purchase price allocation follows:

	(DOLLARS IN THOUSANDS)
	-----
Cash paid at closing.....	\$ 775,000
Cash paid for direct acquisition costs, including financial advisory, accounting and legal costs.....	9,156
	-----
Aggregate purchase price.....	784,156
Book value of IDP net assets acquired.....	(245,911)
	-----
Excess of cost over net book value of assets acquired.....	538,245
Adjustments to record assets and liabilities at fair market values (a)	
Property and equipment.....	(88,170)
Intangible assets, including patents, trademarks and trade names.....	(141,300)
Severance, facility closing expenses and other exit costs assumed to be incurred in connection with the Acquisition, net of taxation (b).....	36,905
	-----
Net adjustment to goodwill.....	\$ 345,680
	=====

(a) Upon completion of appraisals of the fair values of the acquired assets and liabilities, our allocation of the purchase price may differ from that presented above, and we may identify other assets to which a portion of the purchase price will be allocated. We believe that the depreciation and amortization periods for such identifiable other assets will be approximately 17 years.

- (b) Reflects exit costs to be incurred in connection with the Acquisition in accordance with EITF 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination."

15

16

NOTES TO UNAUDITED PRO FORMA  
CONSOLIDATED BALANCE SHEET -- (CONTINUED)

NOTE 3: PRO FORMA ADJUSTMENTS TO CONSOLIDATED BALANCE SHEET

The Unaudited Pro Forma Consolidated Balance Sheet reflects the Acquisition and related financing transactions, as if they had occurred as of March 31, 2000. The application of the proceeds from borrowings under the Senior Credit Facilities and the issuance of the Notes will occur concurrently with the closing of the Notes offerings.

(DOLLARS IN THOUSANDS)

-----	
(a) Changes in cash and cash equivalents are:	
Cash proceeds from initial borrowings under the Senior Credit Facilities.....	\$ 750,000
Cash proceeds from issuance of the Notes.....	375,000
	-----
Proceeds from these borrowings.....	1,125,000
Payment to Ingersoll-Rand for purchase of IDP.....	(775,000)
Distribution of cash from IDP to Ingersoll-Rand at close of Acquisition in accordance with the terms of the IDP purchase agreement.....	(4,995)
Repayment of existing Flowserve debt.....	(325,213)
Transaction fees and expenses.....	(50,000)
	-----
Uses of cash.....	(1,155,208)
	-----
Total adjustment to cash.....	\$ (30,208)
	=====
(b) To record property and equipment acquired at estimated fair value -- IDP	
(c) Goodwill and intangible assets are reflected as follows:	
To record goodwill resulting from the Acquisition.....	\$ 345,680
To reflect adjustments to record fair value of intangible assets acquired from the Acquisition.....	141,300
	-----
Total intangible adjustments, including goodwill.....	\$ 486,980
	=====
(d) To reflect adjustments to record the following:	
To record deferred financing costs in connection with entering into the Senior Credit Facilities and issuing the notes offered by these offerings.....	\$ 40,844
Write-off of deferred financing fees related to existing Flowserve credit facility.....	(2,740)
Deferred taxes resulting from restructuring costs associated with IDP.....	20,759
	-----
Total adjustment to other assets.....	\$ 58,863
	=====

16

17

NOTES TO UNAUDITED PRO FORMA  
CONSOLIDATED BALANCE SHEET -- (CONTINUED)

(DOLLARS IN THOUSANDS)

-----

(e)	Reflects the issuance of the Notes and proceeds from borrowings under the Senior Credit Facilities, net of repayment of existing indebtedness:	
	Issuance of the Notes.....	\$ 375,000
	Proceeds from initial borrowings under the Senior Credit Facilities.....	750,000
		-----
		1,125,000
	Less: repayment of Flowserve long-term debt.....	(322,266)
		-----
	Increase in long-term debt due after one year.....	802,734
	Less: repayment of current portion of long-term debt.....	(1,488)
	Less: repayments of note payable.....	(1,459)
		-----
	Net Adjustment to long-term debt.....	\$ 799,787
		=====
(f)	To reflect adjustments to record integration related restructuring costs associated with the Acquisition in accordance with EITF 95-3 "Recognition of liabilities in connection with a Purchase Business Combination"	
(g)	To eliminate a due to partners' liability retained by Ingersoll-Rand.	
(h)	Pension and post-retirement health care liabilities retained by Ingersoll-Rand, IDP's predecessor parent.	
(i)	Represents adjustments to reflect the following:	
	Elimination of IDP contributed capital.....	\$ 95,747
	Elimination of IDP retained earnings.....	\$186,869
	Other.....	( 96)
	Write-off of pre-existing deferred financing costs related to existing Flowserve debt.....	2,740
		-----
	Sub-total, retained earnings adjustments.....	189,513
	Elimination of IDP accumulated other comprehensive income.....	(55,210)
		-----
	Total adjustments.....	\$ 230,050
		=====

17

18

(c) EXHIBITS

2.1 Amendment No. 1, dated as of July 14, 2000 to the Purchase Agreement, dated as of February 9, 2000 by and among Flowserve Corporation, Flowserve Red Corporation, IDP Acquisition, LLC and Ingersoll-Rand Company.

99.1 Press Release dated July 13, 2000.

[SIGNATURE PAGE FOLLOWS]

18

19

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FLOWSERVE CORPORATION

By: /s/ RONALD F. SHUFF

-----  
Ronald F. Shuff, Vice President,  
Secretary and General Counsel

Date: July 20, 2000

## INDEX TO EXHIBITS

EXHIBIT NUMBER -----	DESCRIPTION -----
2.1	Amendment No. 1, dated as of July 14, 2000 to the Purchase Agreement, dated as of February 9, 2000 by and among Flowserve Corporation, Flowserve Red Corporation, IDP Acquisition, LLC and Ingersoll-Rand Company.
99.1	Press Release dated July 13, 2000.

AMENDMENT NO. 1, dated as of July 14, 2000 (this "Amendment"), to the Purchase Agreement (the "Purchase Agreement"), dated as of February 9, 2000 by and among FLOWSERVE CORPORATION, a New York corporation ("Buyer 1"), FLOWSERVE RED CORPORATION, a Delaware corporation ("Buyer 2"), IDP ACQUISITION, LLC, a Delaware limited liability company ("Seller 1"), and INGERSOLL-RAND COMPANY, a New Jersey corporation ("Seller 2").

W I T N E S S E T H:

-----

WHEREAS, pursuant to the Purchase Agreement, Buyer 1 and Buyer 2 have agreed to purchase the partnership interests owned by Seller 1 and Seller 2 in Ingersoll-Dresser Pump Company, a Delaware general partnership (the "Partnership"). All terms not defined herein shall have the meanings given them in the Purchase Agreement;

WHEREAS, Buyer 1, Buyer 2, Seller 1 and Seller 2 desire to amend certain provisions of the Purchase Agreement as provided herein;

WHEREAS, pursuant to Section 6.4(h) of the Purchase Agreement the parties have agreed to use their reasonable efforts to develop a plan to enable Buyer 1 and Buyer 2 or any of their affiliates to purchase outside of the United States stock or assets of any Subsidiaries of the Partnership outside of the United States (a "Direct Purchase") and to enter into such agreements as are necessary to implement any such plans for a Direct Purchase;

WHEREAS, pursuant to Section 6.4(i) of the Purchase Agreement the parties have agreed to develop a plan for the distribution of cash by the Partnership Group to Seller 1 and Seller 2 and for the restructuring of the businesses so as to allow for an election (A) by the buyer and the seller of Alternate Energy (as such term is defined herein) under section 338(h)(10) of the Code, and (B) by the buyer of (i) IDP UK (as such term is defined herein), (ii) Deutsche Worthington GmbH, (iii) Deutsche Ingersoll-Dresser Pumpen GmbH and (iv) Ingersoll-Dresser Pumps S.p.A under section 338(g) of the Code;

WHEREAS, the parties desire to engage in Direct Purchases of the above-mentioned entities pursuant to the terms and conditions of Section 6.4(h) of the Purchase Agreement;

WHEREAS, the parties desire to reflect the cash distribution and restructuring arrangements in an agreement as contemplated by Sections 6.4(h) and 6.4(i) of the Purchase Agreement; and

WHEREAS, the parties desire to effect certain other amendments to the Purchase Agreement;

NOW, THEREFORE, in consideration of the mutual covenants, representations and obligations hereinafter set forth, it is hereby agreed as follows:

ARTICLE I

The Purchase Agreement is hereby amended as set forth in this Article I:

1. Section 1.1(b) of the Purchase Agreement is hereby amended as follows:

- (a) The words "or one of its designated affiliates" are hereby inserted after the words "Seller 2".
- (b) The words "or one of its designated affiliates'" are hereby inserted after the words "Seller 2's".

2. Section 1.1 of the Purchase Agreement is hereby amended by inserting



the following subsections after Section 1.1(b) therein:

"(c) On the Closing Date and subject to the terms and conditions set forth in this Agreement, Seller 2 shall sell, assign and transfer to Buyer 1 or one of its designated affiliates, all of Seller 2's right, title and interest in and to the issued and outstanding capital stock of IDP Alternate Energy Company, a Delaware corporation ("Alternate Energy"), free and clear of all Encumbrances (the "Alternate Energy Shares"), other than such as may be created by or on behalf of either of the Buyers.

(d) On the Closing Date and subject to the terms and conditions set forth in this Agreement, Seller 1 shall sell, assign and transfer to Buyer 1 or one of its designated affiliates, all of Seller 1's right, title and interest in and to the issued and outstanding capital stock of Ingersoll-Dresser Pumps (UK) Ltd., an English corporation ("IDP UK"), free and clear of all Encumbrances (the "IDP UK Shares"), other than such as may be created by or on behalf of either of the Buyers.

(e) On the Closing Date (as a first step and subject to the completion of the Closing) and subject to the terms and conditions set forth in this Agreement, Sellers shall cause the Partnership to sell, assign and transfer to Buyer 1 or one or more of its designated affiliates, all of the Partnership's right, title and interest in and to the issued and outstanding capital stock of the following Subsidiaries, free and clear of all Encumbrances (the "European Subsidiaries Shares", together with the Alternate Energy Shares and the IDP UK Shares, the "Shares"), other than such as may be created by or on behalf of either of the Buyers: (i) Deutsche Worthington GmbH, (ii) Deutsche Ingersoll-Dresser Pumpen GmbH and (iii) Ingersoll-Dresser Pumps S.p.A (collectively, the "European Subsidiaries").

3. Section 1.2(a) of the Purchase Agreement is hereby amended by as follows:

The words "two hundred sixty million nine hundred five thousand and four hundred dollars (\$260,905,400)" are hereby inserted in replacement for the words "three hundred seventy nine million seven hundred and fifty thousand dollars (\$379,750,000) to Seller 1".

2

3

4. Section 1.2(b) of the Purchase Agreement is hereby amended as follows:

The words "two hundred seventy one million five hundred fifty four thousand and six hundred dollars (\$271,554,600) to Seller 2 or one of its designated affiliates" are hereby inserted in replacement for the words "three hundred ninety five million two hundred fifty thousand dollars (\$395,250,000)".

5. Section 1.2 of the Purchase Agreement is hereby amended as follows:

The word "Partnership" is hereby inserted before the words "Purchase Price".

6. Article I of the Purchase Agreement is hereby amended by inserting the following subsections after Section 1.2(b) therein:

"(c) On the Closing Date and subject to the terms and conditions set forth in this Agreement, in reliance on the representations, warranties, covenants and agreements of the parties contained herein and in consideration of the sale, assignment and transfer of the Alternate Energy Shares and the IDP UK Shares, Buyer 1 or any of its designated affiliates shall pay the following amounts in cash: (a) \$52,080,000 to Seller 2 for the Alternate Energy Shares (the "Alternate Energy Purchase Price") and (b) \$72,500,000 to Seller 1 for the IDP UK Shares (the "IDP UK Purchase Price").

(d) On the Closing Date (as a first step and subject to the completion of the Closing) and subject to the terms and conditions set forth in this Agreement, in reliance on the representations, warranties, covenants and agreements of the parties contained herein and in consideration of the sale, assignment and transfer of the European Subsidiaries Shares, Buyer 1 or any of

its designated affiliates shall pay the following amounts in cash: \$1, \$24,259,999, and \$93,700,000, respectively, to such of the Sellers as the Partnership may designate in writing (and such payments shall be deemed distributions or reductions of capital) for the shares of (i) Deutsche Worthington GmbH, (ii) Deutsche Ingersoll-Dresser Pumpen GmbH and (iii) Ingersoll-Dresser Pumps S.p.A (in the aggregate, the "European Subsidiaries Purchase Price", and together with the Alternate Energy Purchase Price and the IDP UK Purchase Price being the "Section 338 Purchase Price").

(e) The sum of the Section 338 Purchase Price and any liabilities assumed by the Buyers or their designated affiliates shall be allocated among the assets of Alternate Energy, IDP UK and the European Subsidiaries, respectively, as of the Closing in accordance with relevant provisions under the Code. Any subsequent adjustments to the sum of the Section 338 Purchase Price and any liabilities assumed by the Buyers or their designated affiliates shall be reflected in the allocation hereunder in a manner consistent with the Code and the Treasury Regulations promulgated thereunder.

(f) Notwithstanding the above, the Buyers and the Sellers recognize that the Partnership Purchase Price, the Alternate Energy Purchase Price, the IDP UK Purchase Price, and the European Subsidiaries Purchase Price (collectively, the "Purchase Price") as set forth in this Agreement represent good faith estimates of such amounts and agree that, prior to Closing, the parties shall cooperate with one another and use their reasonable best efforts to make final

3

4

determinations of each of such amounts based on the relative values of the Alternate Energy Shares, the IDP UK Shares and the European Subsidiaries Shares as reflected in the most recent valuation report prepared by American Appraisals; provided, however, that, in any final determination of such amounts made by the parties, the Purchase Price shall equal \$775,000,000 in the aggregate."

7. The introductory paragraph to Section 1.3 of the Purchase Agreement is hereby deleted in its entirety and replaced with the following new introductory paragraph:

"1.3 The Closing. Unless this Agreement shall have been terminated and the transactions contemplated herein shall have been abandoned pursuant to Article VII, subject to Articles IV and V, the closing (the "Closing") of the transactions contemplated by this Agreement shall take place at the offices of Simpson Thacher & Bartlett, 425 Lexington Avenue, New York, New York 10017 on the third business day following the satisfaction or waiver of all of the conditions set forth in the Articles IV and V hereof (the "Closing Date"), or at such other place and time as may be agreed upon by the Sellers and Buyers; provided, however the Closing Date shall not be later than October 31, 2000. The Buyers may defer the Closing Date if all conditions to Closing set forth in Article IV and Article V have been satisfied or waived (the "Extension Start Date") and the Buyers do not have sufficient funds available to enable Buyers to complete the transactions contemplated by this Agreement until a date that is not later than the earlier of (i) the date financing is completed and (ii) October 31, 2000 (such deferral period, the "Extension Period"). In the event the Extension Period is utilized, the Buyers shall pay to Sellers at Closing, interest on the Purchase Price at a rate equal to LIBOR (as defined below) plus four percent (4%) during the Extension Period; provided, however, that interest under this Section 1.3 shall not accrue for a period of four (4) weeks during the Extension Period (a "Grace Period"); provided further, however, that if financing is not completed by July 31, 2000 then in addition to a Grace Period, interest under this Section 1.3 shall not accrue during the month of August 2000 (such month being the "August Grace Period"); provided further, however, that the Grace Period shall be tolled during the August Grace Period. In the event that the Extension Start Date occurs in August 2000 then interest under this Section 1.3 shall not accrue during such calendar month and the Grace Period shall apply to the period starting September 1, 2000. "LIBOR" means the London interbank offered rate for one-month, U.S. dollar deposits appearing on Dow Jones Market Service page 3750 (or any successor page). In the event Buyers fail to perform their obligation to close solely due to the fact that Buyers do not have sufficient funds available to enable Buyers to complete the transactions contemplated by this Agreement, Sellers shall not be entitled to specific

performance and Buyers' damages to Sellers as a result thereof, if any, shall not exceed fifty million dollars (\$50,000,000).".

8. Section 1.3(a) of the Purchase Agreement is hereby amended as follows:

- (a) Deleting the word "and" in the last line of subsection (a)(ii);
- (b) Replacing the punctuation mark "." in the last line of subsection (a)(iii) with the following: "; and"; and
- (c) by inserting the following new subsection (a)(iv) after subsection (a)(iii): "(iv) stock certificates evidencing the Shares duly endorsed in blank, or

4

5

accompanied by stock powers duly executed in blank (or other stock transfer forms appropriate in the applicable jurisdiction to evidence the transfer of the Shares), in form reasonably satisfactory to the Buyers and with all required stock transfer tax stamps affixed.".

9. Section 1.4 of the Purchase Agreement is hereby amended by (i) deleting the word "and" before the words "in Buyer 2" and (ii) adding the words "and in Buyer 1 or its designated affiliates good and valid title to the Alternate Energy Shares, the IDP UK Shares and the European Subsidiaries Shares, respectively."

10. Article II of the Purchase Agreement is hereby amended by inserting the following Section after Section 2.3 therein:

"2.3(A). The Shares. (a) Schedule 2.2 of the Disclosure Schedule sets forth the number of outstanding shares of capital stock of Alternate Energy, IDP UK and each of the European Subsidiaries, the names of the holders thereof and the number and percentage of Alternate Energy Shares, IDP UK Shares, European Subsidiaries Shares owned by each such holder; provided, however, that, as of the Closing Date (i) Seller 1 shall be the holder 100% of the IDP UK Shares and (ii) Seller 2 shall be the holder of 100% of the Alternate Energy Shares. The Alternate Energy Shares, the IDP UK Shares and the European Subsidiaries Shares represent all of the issued and outstanding shares of capital stock of Alternate Energy, IDP UK and the European Subsidiaries, respectively.

(b) The Shares are duly authorized, validly issued and outstanding, fully paid and nonassessable. The Shares have not been issued in violation of, and are not subject to, any preemptive rights, and there are no outstanding convertible or exchangeable securities, calls or options relating to the Shares or that may require Seller 1, Seller 2, Alternate Energy, IDP UK or any of the European Subsidiaries to issue to any Person any shares of any of its respective capital stock. There are no voting trusts or other agreements restricting the voting, dividend rights or disposition of the Shares. There are no outstanding contractual obligations of Seller 1, Seller 2, the Partnership, Alternate Energy, IDP UK or any of the European Subsidiaries requiring them to repurchase, redeem or otherwise acquire any Shares or make any loan to or capital contribution in any other Person.

(c) Each of Seller 2, Seller 1 and the Partnership has good and marketable title to the Alternate Energy Shares, the IDP UK Shares and the European Subsidiaries Shares, respectively, and owns beneficially and of record, in each case, free and clear of all Encumbrances, the Alternate Energy Shares, the IDP UK Shares and the European Subsidiaries Shares, respectively, and such good and marketable title to the Shares shall be transferred to Buyer 1 and Buyer 2 or any of their designated affiliates, as the case may be, on the Closing Date free and clear of all Encumbrances."

11. [INTENTIONALLY OMITTED]

12. Section 4.7 of the Purchase Agreement is deleted in its entirety and replaced by the following new Section 4.7:

"4.7 Corporate Guarantees and Letters of Credit. The Buyers shall have delivered one or more unsecured corporate guarantees in favor of the Sellers to guarantee obligations of the Sellers under all commercial letters of credit, standby letters of credit, guarantees, bank guarantees, comfort letters, indemnity bonds and other credit support instruments issued by the Sellers on behalf of the Partnership Group prior to the Closing Date and outstanding and unexpired as of the Closing Date ("Seller Credit Support Instruments"). Sellers shall use their reasonable best efforts to provide a list of such Seller Credit Support Instruments to the Buyers at or prior to the Closing. Such corporate guarantees shall be in form and substance reasonably satisfactory to the Sellers and shall be in an aggregate face amount representing the aggregate amount under the Seller Credit Support Instruments. Notwithstanding the foregoing, the Buyers shall assume all commercial letters of credit, standby letters of credit, guarantees, bank guarantees, indemnity bonds and other credit support instruments issued by any member of the Partnership Group prior to the Closing Date and outstanding and unexpired as of the Closing Date.

13. Section 5.11 of the Purchase Agreement is hereby deleted in its entirety.

14. Section 6.3(a) of the Purchase Agreement is hereby amended by inserting the following in replacement of the last two sentences thereof:

"Buyers agree to take any and all steps necessary to avoid or eliminate each and every impediment under any antitrust, competition, or trade regulation law that may be asserted by the Department of Justice with respect to consummation of the transactions contemplated by this Agreement so as to enable the Closing to occur as soon as reasonably possible, including, without limitation, proposing, negotiating, committing to and effecting, by consent decree, hold separate order, or otherwise, the sale, divestiture or disposition of such assets or businesses of the Buyers or the Partnership Group (or their respective subsidiaries) or otherwise take or commit to take actions that limit their freedom of action with respect to, or their ability to retain, any of the businesses, product lines or assets of the Buyers or the Partnership Group (or their respective subsidiaries), as may be required in order to avoid the entry of, or to effect the dissolution of, any injunction, temporary restraining order, or other order in any suit or proceeding, which would otherwise have the effect of preventing or delaying the Closing."

15. Section 6.6(a)(ii)(B) of the Purchase Agreement is hereby deleted in its entirety and replaced with the following new Section 6.6(a)(ii)(B):

"(B) As of the Closing Date, Seller 2 shall assume each U.S. Partnership Group Plan that is a qualified defined benefit pension plan (the "Assumed Pension Plans"), and shall assume as employer thereunder the assets and liabilities accrued through the Closing Date with respect to the Assumed Pension Plans. Notwithstanding the foregoing, Buyers shall indemnify and hold harmless Seller 2 and each Assumed Pension Plan, for any and all liability arising out of or in connection with the "rule of 75/80" benefit (including any shut-down benefits) (the "75/80 Benefit") under the Assumed Pension Plans, regardless of whether such liability relates to periods of service before, on or after the Closing Date; provided, however, that until the first anniversary of the Closing Date, Seller 2 shall be responsible for all enhanced pension benefits (but not post-retirement welfare, severance or other benefits) payable through the Assumed

Pension Plans arising out of or in connection with the 75/80 Benefit under the Assumed Pension Plans, regardless of whether such liability relates to periods of service on or before the Closing Date; provided further that if prior to the Closing Date Sellers terminate employees triggering 75/80 Benefit liability, Sellers, and not Buyers, shall be solely responsible for such 75/80 Benefit liability. In addition, Seller 2 shall, immediately prior to the Closing Date, credit all Partnership Employees at the Liberty Corner, Huntington Park and

Phillipsburg facilities who participate in the Assumed Pension Plans and who have not retired or otherwise terminated their employment as of the Closing Date with one additional year of service credit for purposes of determining the amount of accrued benefits only. As of the Closing Date, the Partnership Employees shall cease to accrue benefits under the Assumed Pension Plans and shall be fully vested in all benefits accrued as of such date, and such Assumed Pension Plans shall be frozen for all purposes. As of the Closing Date, Buyers shall, or shall cause the Partnership Group to, establish replacement pension plans (the "New Pension Plans") for Partnership Employees who are not at the Liberty Corner, Huntington Park or Phillipsburg facility (the "Participating Employees"), which New Pension Plans, in the case of Union Employees (as defined below) shall be on terms substantially identical to the corresponding Assumed Pension Plan. Buyers or the Partnership Group, as appropriate, shall credit all service with the Partnership Group or Sellers prior to the Closing Date that was recognized under the Assumed Pension Plans (i) for purposes of vesting and eligibility under the New Pension Plans established for Participating Employees other than Union Employees and (ii) for all purposes under the New Pension Plans applicable to Union Employees (including, without limitation, eligibility, vesting, benefit accrual and entitlement to any benefits or benefit enhancements); provided, however, that any benefits payable under the New Pension Plans shall be reduced by benefits payable under the Assumed Pension Plans with respect to the periods of service prior to the Closing Date. Buyers shall indemnify and hold harmless Sellers for any and all liability arising from or in connection with the adoption, implementation and operation of the New Pension Plans. Except as specifically provided above with respect to certain liabilities arising out of or in connection with the 75/80 Benefit triggered on or following the first anniversary of the Closing Date, Sellers shall indemnify and hold Buyers harmless for any and all liabilities arising from or in connection with the Assumed Pension Plans, including, without limitation, any liabilities for accrued benefits under such plans or benefits relating to service credit granted to Partnership Employees employed at the Liberty Corner, Huntington Park and Phillipsburg facilities pursuant to this Section 6.6(a)(ii)(B)."

16. Section 6.13(c) of the Purchase Agreement is hereby amended by deleting all of the existing text in the paragraph that follows the first sentence thereof, and by inserting the following after the first sentence:

"The Sellers' maximum liability pursuant to the foregoing sentence shall be \$5 million; provided, that if the Buyers utilize any portion of the August Grace Period and the Closing occurs after August 13, 2000, such maximum liability shall be reduced to \$3 million. The Sellers acknowledge and agree that, in exchange for the Buyers' agreement to cap the Sellers' obligations pursuant to this Section 6.13 at such maximum liability amount, the Buyers shall have the right, at the Sellers' expense up to such maximum

7

8

liability amount, to control, undertake and manage any response action to any Identified Environmental Liability without any involvement by the Sellers and the Sellers shall pay any invoice for such response action promptly after receipt thereof from the Buyers. Nothing herein is intended nor shall be construed to limit or affect in any way the Sellers' environmental obligations set forth in any other Section of this Agreement, including, without limitation, Section 6.12 and Section 8.1(a)."

17. Article VI of the Purchase Agreement is hereby amended by inserting the following Section after Section 6.18 therein:

"6.19 Distributions.

(a) Bank Loans. On and as of the Closing Date, each Subsidiary of the Partnership shall have repaid in full all bank loans.

(b) Intercompany Loans. The Partnership, certain of its Subsidiaries and Alternate Energy and IDP UK and their respective direct and indirect subsidiaries have made direct loans to Seller 1 or Seller 2 and certain affiliates of Seller 1 or Seller 2 (the "Intercompany Loans"). Prior to the Closing Date, all the Intercompany Loans, excluding U.S.\$3 million of the

balance of an Intercompany Loan from a Subsidiary in Austria (the "Austrian Loan"), shall either have been (i) repaid, (ii) distributed as a dividend or a reduction of capital by the relevant Subsidiary to the Partnership at book value or (iii) distributed as a dividend or a reduction of capital to Seller 1 or Seller 2, as appropriate, at book value (in all cases net of any applicable withholding tax on such amount transferred). Any Intercompany Loans that were thus distributed to the Partnership shall have been distributed to Seller 1 or Seller 2 at book value (converted to U.S. dollars at the "spot rate" as of the date of distribution) as a proportionate reduction of Seller 1's and Seller 2's capital accounts in a total amount equal to the total U.S. dollar amount of the Intercompany Loans distributed. Seller 1 and Seller 2 shall have caused each distributing Subsidiary, Alternate Energy and IDP UK to withhold the full amount of applicable withholding tax on each distribution and to remit such amount to the appropriate tax authority.

(c) Partnership Distribution. As contemplated by Section 6.1(c)(iii) hereof, prior to the Closing Date, the Partnership shall have distributed to the Sellers as a capital account reduction the amounts owed by the Sellers to the Partnership.

(d) Refunds. Notwithstanding any provision of this Section 6.19 to the contrary, as reasonably requested by the Sellers, Buyers shall, or shall cause their affiliates to, file a claim for refund of any withholding tax paid as a result of the distributions made pursuant to this Section 6.19, and Buyers or their affiliates shall remit such refunds, including any interest (only to the extent interest was paid by the tax authority) as soon as practicable to Sellers. Any costs incurred by Buyers in connection with an act performed pursuant to this Section 6.19(b) shall be borne by Sellers.

6.20 Cash Adjustment. (a) Within thirty (30) days after the Closing Date, Buyer 1 will prepare, or cause to be prepared, a statement (the "Cash Statement") of the amount

of cash as of the Closing Date in accounts of non-U.S. Subsidiaries of the Partnership (the "Cash Amount", which amount shall include the amount of outstanding checks of such Subsidiaries as of the Closing Date).

(b) Seller 2 shall, within thirty (30) days after the delivery by Buyer 1 of the Cash Statement and calculation of the Cash Amount, complete its review of the Cash Statement and the calculation of such Cash Amount. In the event that Seller 2 disagrees with the calculation of such Cash Amount, it shall so inform Buyer 1 in writing (the "Objection"), setting forth a specific description of the basis of the Objection, the adjustments to the Cash Amount which Seller 2 believes should be made, and Seller 2's calculation of the Cash Amount on or before the last day of such 30-day period. Failure to so notify Buyer 1 shall constitute acceptance and approval of Buyer 1's calculation of the Cash Amount. Buyer 1 shall then have 10 days from the date it receives the Objection to review and respond to the Objection. If Seller 2 and Buyer 1 are unable to resolve all of their disagreements with respect to the determination of the foregoing items within 30 days following the completion of Buyer 1's review of the Objection, after having used their good faith efforts to reach a resolution, they shall refer their remaining differences to a mutually agreed independent accounting firm of recognized international standing (the "CPA Firm"), who shall determine on a basis consistent with the requirements of this Section 6.20 whether and to what extent, if any, the Cash Amount reflected in the Cash Statement requires adjustment. Seller 2 and Buyer 1 shall request the CPA Firm to use its best efforts to render its determination within 30 days. The CPA Firm's determination shall be conclusive and binding upon Sellers and Buyers. Sellers and Buyers shall make reasonably available to the CPA Firm all relevant books and records, any work papers (including those of the parties' respective accountants) and supporting documentation relating to the Cash Statement, the calculation of the Cash Amount and all other items reasonably requested by the CPA Firm. The applicable Cash Amount (the "Final Cash Amount") shall ultimately be equal to (i) the Cash Amount in the event that (x) no Objection is delivered to Buyer 1 during the 30-day period specified above, or (y) Seller 2 and Buyer 1 so agree, (ii) the Cash Amount, adjusted in accordance with the Objection in the event that Buyer 1 does not respond to the Objection within the 10-day period following receipt by Buyer 1 of the Objection, or (iii)

the applicable Cash Amount, as adjusted by either (x) the agreement of Seller 2 and Buyer 1 or (y) the CPA Firm. All fees and disbursements of the CPA Firm, if any, shall be shared equally by Sellers and Buyers.

(c) On the Closing Date, Seller 2 shall cause the Austrian Loan to be repaid in full. If the sum of the Final Cash Amount and the amount of principal repaid on the Austrian Loan (the "Total Cash Amount") is less than the local currency equivalent of U.S.\$25,000,000, with local currencies converted into U.S. dollars at the "spot rate" as of the Closing Date (the "Base Cash Amount"), Seller 2 shall promptly pay to Buyer 1 (or an affiliate of Buyer 1 as Buyer 1 may designate) an amount in U.S. dollars equal to the excess of the Base Cash Amount over the Total Cash Amount. If the Total Cash Amount is greater than the Base Cash Amount, Buyer 1 shall promptly pay to Seller 2 an amount in U.S. dollars equal to the excess of the Total Cash Amount over the Base Cash Amount. Notwithstanding anything to the contrary herein, any and all payments to be made pursuant to this 6.20(c) shall be (i) increased by the imposition of interest on such payment at a rate of LIBOR (as defined in Section 1.3 herein) plus 2 percent (2%), calculated from the Closing Date to the date such payment is made, and (ii) made free and clear of any withholding of any nature whatsoever; if any withholding is required by law, the

9

10

payor shall pay additional amounts so that the cash amount actually received by the payee is equal to the amount such payee would have received if no withholding was imposed.

6.21 Sections 338(g) and 338(h)(10) Elections. The Sellers and Buyers shall make elections under Sections 338(g) and 338(h)(10) of the Code with respect to the sale of Alternate Energy, IDP UK and each of the European Subsidiaries (and in taking all steps necessary to effectuate the same, including, for example, including Alternate Energy as a member of Seller 2's U.S. consolidated group for U.S. federal income tax purposes from March 30, 2000 to the Closing Date) and any similar election as may be available under applicable state or local laws.

18. Section 7.1(b) of the Purchase Agreement is hereby amended as follows:

- (a) Replacing the words "June 30" with "October 31" in the first line thereof.
- (b) Replacing the words "on or before June 30, 2000" in the last line thereof with the words "(including, without limitation, those contained in Section 6.3(a) hereof) on or before October 31, 2000".

19. Section 7.1(c) of the Purchase Agreement is hereby amended by replacing the words "June 30" with the words "October 31" in the first and last lines thereof.

20. Section 7.2(c) of the Purchase Agreement is hereby amended by inserting the words "(including without limitation, those contained in Section 6.3(a) hereof)" after the words this Agreement in the last line thereof.

21. Article IX of the Purchase Agreement is hereby amended by inserting the following Section after Section 9.1 therein:

"9.1(A) Transition Services. For a period commencing on the Closing Date and ending on December 31, 2000 (subject to the earlier termination on at least 10 calendar days prior written notice by Buyer 1 or Buyer 2 to Seller 1 or Seller 2) the Sellers will (i) provide the transition services described in Schedule 9.1(A) hereto to the Buyers at no cost and (ii) assume all costs of and expenses incurred by third party benefit providers in connection with such transition services with respect to the Buyers."

## ARTICLE II

The Purchase Agreement, as amended by this Amendment, is and shall continue to be in full force and effect and is hereby in all respects ratified and confirmed. Nothing in this Amendment shall waive or be deemed to waive or

modify (except as expressly set forth herein) any rights or obligations of any of the parties under the Purchase Agreement. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York. This Amendment may be executed in one or more counterparts each of which shall be deemed to be an original by the parties executing such counterpart, but all of which shall be considered one and the same instrument.

10

11

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

FLOWSERVE CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

FLOWSERVE RED CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

INGERSOLL-RAND COMPANY

By: \_\_\_\_\_  
Name:  
Title:

IDP ACQUISITION, LLC

By: Ingersoll-Rand Company  
(As its Sole Member)

By: \_\_\_\_\_  
Name:  
Title:

11

12

Schedule 9.1 (A)

TRANSITION SERVICES

- o Benefit Advisory Services
- o Handling ongoing benefits administration
- o Use of computer operating systems



- o Support for certain members of the Partnership Group employing employees of Ingersoll-Rand Company, including, without limitation, IDPSA
- o Continuing payroll and disbursement management operations (payables) for members of the Partnership Group
- o Maintenance of the carfleet management for members of the Partnership Group
- o Use of the financial consolidation packaged utilized by the Partnership Group

DALLAS, TEXAS AND WOODCLIFF LAKE, NEW JERSEY - Flowserve Corporation (NYSE:FLS) and Ingersoll-Rand Company (NYSE:IR) announced today that Flowserve has reached agreement in principle with the staff of U.S. Department of Justice ("DOJ") to resolve the DOJ's antitrust concerns arising from Flowserve's pending acquisition of Ingersoll-Dresser Pump Company ("IDP") from Ingersoll-Rand. Final agreement remains contingent upon the negotiation of mutually acceptable settlement documentation, which the company expects will soon be presented to senior officials of the DOJ for necessary approval.

This agreement in principle includes a post-closing divestiture that would affect less than three percent of the combined 1999 revenues of Flowserve and IDP, including several product lines where Flowserve would retain certain non-exclusive rights. This contemplated divestiture is primarily intended to address DOJ concerns about sales of highly engineered pumps for installation in oil refineries and power generation facilities in the U.S.A.

Flowserve currently expects to close the IDP transaction in August, after necessary financing arrangements are completed.

Ingersoll-Rand is a major diversified industrial equipment and components manufacturer serving the global growth markets of Climate Control, Industrial Productivity, Infrastructure Development and Security and Safety. The company employs approximately 46,000 people. Further information on Ingersoll-Rand can be found on the company's worldwide web site at [www.ingersoll-rand.com](http://www.ingersoll-rand.com).

Flowserve Corporation is one of the world's leading providers of industrial flow management services. Operating in 28 countries, with 1999 sales of \$1.1 billion and about 7,000 employees, the Company produces engineered pumps for the process industries, precision mechanical seals, automated and manual quarter-turn valves, control valves and valve actuators, and provides a range of related flow management services.

More information about Flowserve Corporation can be obtained by visiting the Company's web site at [www.flowserve.com](http://www.flowserve.com).

###

SAFE HARBOR STATEMENT: This news release contains various forward-looking statements and includes assumptions about Flowserve's future market conditions, operations and results. These statements are based on current expectations and are subject to significant risks and uncertainties. They are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Among the many factors that could cause actual results to differ materially from the forward-looking statements are: further changes in the already competitive environment for the Company's products or competitors' responses to Flowserve's strategies; the Company's ability to integrate IDP and Invatec into its management operations; political risks or trade embargoes affecting important country markets; the health of the petroleum, chemical and power industries; economic turmoil in areas outside the United States; continued economic growth within the United States; unanticipated difficulties or costs or reduction in benefits associated with the implementation of the Company's "Flowserver" business process improvement initiative, including software; and the recognition of significant expenses associated with adjustments to realign the combined Company's facilities and other capabilities with its strategies and business conditions, including, without limitation, expenses incurred in restructuring the Company's operations to incorporate IDP facilities, and the cost of financing to be assumed by acquiring IDP.

-----  
return to news release list